



AGENDA ITEM SUMMARY

(Must be submitted NLT 3PM Wednesday for next week agenda)

Department: Finance

WORK SESSION ☐ **Meeting Date:**

REGULAR AGENDA ☒ **Meeting Date:** **12/2/2025**

Required originals approved and attached? ☒
Will be provided on:

Item summary:

- | | |
|---|--|
| ☐ Call for Hearing | ☐ Contract/Agreement/MOU - Contract # |
| ☒ Resolution | ☐ Proclamation ☒ Budget Item |
| ☐ Proposed Final Ordinance | ☐ Final Ordinance ☐ Other Monthly Review |

Documents exempt from public disclosure attached: ☐

EXECUTIVE SUMMARY:

As required by the Clallam County Charter, attached for review and discussion is the 2026 Proposed Final Budget including the proposed 2026 Capital Budget for Clallam County. The submission of this Proposed budget is for the required public hearings to be held on Tuesday, December 2nd, 2025 at 10:30am and 5pm in the Board Room via in person, online or the telephone. These materials for the 2026 Proposed Final Budget may also be viewed on the County's website under Departments\ Finance \ Budget\ County Budgets \ Proposed Budget 2026. Following hearing of testimony and questions from the public and staff, the Commissioners will then proceed in moving forward with adoption of the Proposed Budget that evening, or if a hearing extension is needed to allow for further changes to be made, no later than Tuesday, December 9th, 2025.

The following materials have been provided to accompany this summary:

- 2026 Proposed Final Budget Summary—All Funds;
- General Fund 4 Year Comparison of 2026 Proposed Final Budget to Projected/Actual Results for 2025-2022;
- General Fund 4 Year Comparison of 2026 Proposed Final Budget to Adopted Budgets for 2025-2022;
- General Fund Breakdown Analysis of the Change in Operating Surplus/Deficit between the 2026 Proposed Final Budget Deficit and 2025 Forecasted Surplus/(Deficit);

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Agenda Item Summary Proposed Budget 2026
Revised: 3-04-2019

- General Fund Bridge Analysis of Changes Between the 2026 Draft Budget and Proposed Final Budget (a summary of what changed between the prior version of the budget and this version);
- 2026 Budget Salary Worksheet Breakdown by Department/Fund;
- 2026 Budgeted Staffing Schedule 10 Year History;
- 2026 Department Requests Over Base Budget;
- 2026 Proposed Final Capital Outlay Budget—by Fund; and
- 2026 Proposed Final Budgeted Transfers Between Funds
- 2026 Proposed Final Budget General Fund Revenue, Expenditure and Staffing Charts by Type and by Program;
- Budget Resolution Adopting the 2026 Clallam County Budget; and
- Budget Resolution Adopting the 2026 Clallam County Budget Emergency Appropriations.

It is important to note that this Proposed Final budget represents each departments' initial budget submissions as adjusted based on the outcomes of budget review meetings conducted in September and October between the Commissioners, County Administrator and Finance Department with each of the departments, in which revenue and expenditure assumptions, department requests for additional budget funding, and capital needs were discussed, evaluated for reasonableness, with changes then incorporated into the Proposed Final budget as needed and subject to current budgetary constraints.

As noted in prior budget discussions and per County Policy, all budgeted positions are assumed filled for the entire budget year, which, as previously discussed, has not historically mirrored the County's actual payroll spending trends where the County has underspent its personnel budgets in the General Fund between \$2.76 million and \$3.2 million each year due to open positions, turnover and retirements (further discussion below).

KEY REVENUE/ECONOMIC ASSUMPTIONS

This fourth version of our 2026 budget also reflects updated estimates for 2026 revenue which are partly dependent on the current revenue forecast assumptions for 2025, as well as many additional variables, including

- GDP growth and inflationary growth expectations based on most recent Washington state economic forecasts,
- Local economic conditions;
- Large road infrastructure projects currently underway in our County which are expected to materially impact the County's sales & use tax projections in from 2025 thru 2030;
- The expected level of new construction to be captured for purposes of setting 2026 levy amounts for property tax purposes;

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- Further changes in long term and short term interest rates as the Federal Reserve policy transitions from being centered on inflation reduction to economic stabilization as labor markets begin showing signs of softening; and
- Other revenue guidance available thru MRSC, the DNR, and other sources.

Taxes, Intergovernmental taxes (including PILT, Timber excise tax, Leasehold Excise tax, PUD Privilege Tax, etc.), and Timber revenues--representing approximately 57% of the General Fund 2026 revenue budget—are based on projections developed by the Finance Department based on the evaluation of such variables and available guidance. Departmental assumptions for other revenue streams reflected in this Proposed Final budget were discussed and evaluated for reasonableness during the budget discussions with each department in September and October, with any changes made and reflected in the Proposed Final Budget.

While the Proposed Final Budget revenue assumptions overall do not assume a recession in 2026 which is consistent with most national banks (Goldman Sachs, JP Morgan, and others) and economists (including those of WA State Economic Forecast Council), it does reflect prevailing expectations among economists who predict economic growth to slow as the impacts and uncertainty surrounding tariff and fiscal policy, and continued pressure felt by consumers due to high interest rates continue to restrain home sales, big ticket purchases, etc. From a local perspective, although unemployment in the County remains at a relatively low 4.4% currently, we do believe local events such as last year's McKinley closure, the increasing timber industry impacts felt from delayed timber harvests due to DNR administrative pauses and litigation, and other local economy growth challenges will continue to create employment headwinds that will impact certain of our sales-driven revenues this year and next year. While some relief may be seen as the Federal Reserve recently resumed reducing interest rates as inflation subsides and signs of employment and economic indicators softening emerge, we do not expect that this will result in significant economic activity gains for our County.

In its June report, the WA State Economic Forecast Council is forecasting a 5.0% increase in nominal personal income growth in 2026, which is slightly below what was seen in 2024 (6.1%) and 2025 (5.2%). Despite a rough early spring season, local tourism on the Olympic Peninsula has held up despite tariff policy impacts on tourism from Canada, supporting the County's various sales and lodging taxes. Finally, WSDOT fish barrier and other major road construction projects are slated to continue for the next several years, although the impact of these projects has been sporadic in the County's sales tax collections until recently when during the summer we saw sales tax growth of 7.5%, 10% and 9% for the months of July, August and September which are likely due partly to the timing of work being performed relating to these road projects. As a result of these recent gains, we believe sales tax will now grow between 3.7% and 4.3% in 2025.

Taking these issues into consideration, for the 2026 Proposed Final Budget, a sales tax growth assumption of **2.5%** was used in preparing the 2026 Proposed Final revenue budgets for our various sales-based taxes of the County, which is below the 3.7% projected growth for 2025. We believe this lower level of growth assumption is warranted given the uneven growth seen thus far in 2025, uncertainty surrounding tariff impacts on inflation, and given the lowered expectations of economic growth for Washington State as forecast by the WA State Economic Forecast Council. While recent sales tax changes enacted in the last State biennium budget that will lead to sales taxes being collected for certain previously exempt activities (including IT services, temporary staffing, security

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services, advertising, and others) beginning on October 1, 2025, we do not believe based on the County's employer make-up that this will result in significantly higher sales tax for the County.

Given that economic conditions are still evolving as we enter the final quarter of 2025 as is the ongoing economic impact of these WSDOT projects or the sales tax changes taking effect October 1st, the sales tax revenue budget for 2026 will continue to be revisited during the 2026 budget process to reflect any changes in expectations for next year.

Other non-General Fund revenue streams tied to real estate, particularly REET 1 and REET 2, are expected to remain flat in 2026 based on WA State Economic Forecast guidance which calls for low single digit growth in 2026.

ADDITIONAL COSTS & COST REDUCTIONS NOT YET INCORPORATED INTO THE PROPOSED FINAL BUDGET

From an expenditure standpoint, there are certain additional costs not yet fully incorporated into this Proposed Final budget, including:

- **Additional Payroll/Benefit costs resulting from conclusion of labor negotiations with our interest arbitration and limited commission bargaining units** that are not yet fully reflected in the Proposed Final Budget pending finalization of negotiations (a high level placeholder as reduced for the recent ratification of the Sheriff Patrol labor agreement and other changes in estimates is included in the budget for purposes of estimating ending reserves);
 - **TOTAL ESTIMATED NET COST OF PLACEHOLDER ITEMS NOT YET INCLUDED IN THE BUDGET--\$0.633 MILLION**

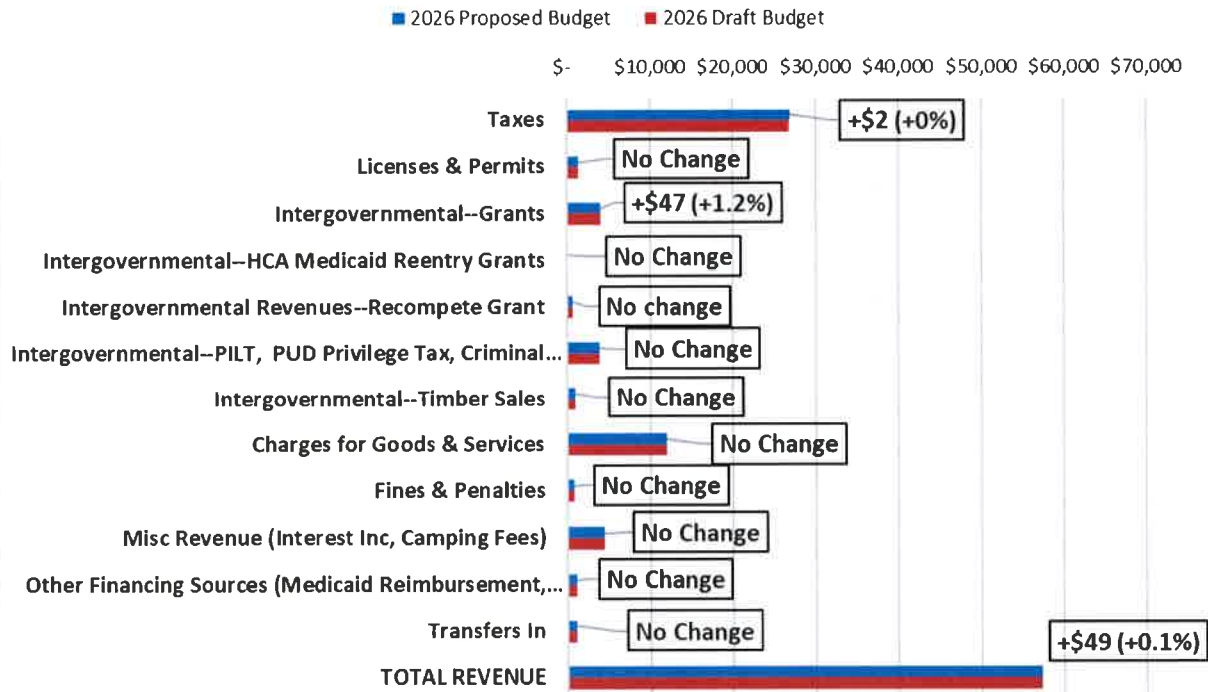
OVERVIEW OF REVENUE AND EXPENDITURES CHANGES MADE BETWEEN DRAFT BUDGET AND PROPOSED FINAL BUDGET

Several changes have been made to the 2026 Draft Budget in arriving at the 2026 Proposed Final Budget. While outlined in more detail in the attached schedule called "Bridge Analysis Between Draft Budget & Proposed Final Budget", below are high level comparisons of revenue and expenditure changes that have occurred between the Draft Budget and the Proposed Final Budget:

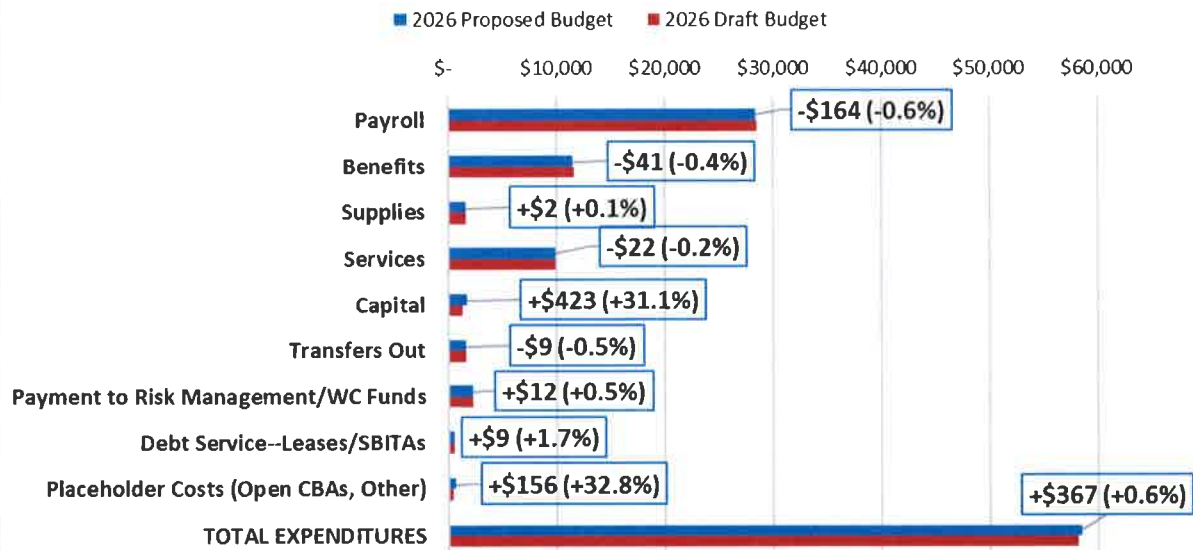
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REVENUE CHANGES--2026 PROPOSED FINAL BUDGET VS DRAFT BUDGET (\$ IN THOUSANDS)



EXPENDITURE CHANGES--2026 PROPOSED FINAL BUDGET VS DRAFT BUDGET (INCLUDING PLACEHOLDER COSTS/PAYROLL UNDERSPEND) (\$ IN THOUSANDS)



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Revenue Change Highlights:

- **Intergovernmental Revenues**— increase of \$47k reflects carryover of \$47k of CDBG grant revenue supporting the Center for Inclusive Entrepreneurship expected to be spent/reimbursed in 2026.

Expenditure Change Highlights:

- **Payroll and Benefits**-- -\$205k decrease reflects the incorporation of a previous placeholder budget adjustment of \$200k of ARPA funding to be re-allocated to fund personnel costs in the Sheriff-Operations budget, and the elimination of a part-time administrative specialist position in Sheriff Emergency Services after July 2026, as offset by extra help funding in Community Development-Environmental Health to support 1.5 months of part-time overlap training time of the retiring Salmon Recovery Project Coordinator position;
- **Services**—decrease of -\$22k reflects a \$145k increase in General Fund indirect allocation charges to non-General Fund funds for shared services cost provided by the General Fund, as offset by the incorporation of a \$50k placeholder for Clerk's Office system migration from OnBase to Odyssey, \$47k carry over of grant-supported Center for Inclusive Entrepreneurship services costs, and \$27k increase in Sheriff Clinical Services professional services and computer systems maintenance costs based on revised HCA Reentry grant-spend down projections;
- **Capital Outlays**--increase is due to \$423k of HCA Reentry grant-funded capital outlays that were expected to be incurred in 2025 carrying over into 2026 based on revised HCA Reentry grant-spend down projections provided by the Sheriff's Office;
- **Transfers Out**—\$9k decrease primarily due to lower transfer funding needed from the General Fund by the Public Works--Flood Control and Prosecuting Attorney Local Crime Victim Compensation fund due to a reduction in indirect costs allocated to these funds for 2026;
- **Payment to the Risk Management/Workers Comp Funds**-- +\$12k increase is due to increased indirect costs allocated to the Risk Management fund;
- **Debt Service—Leases/Subscription Based IT Agreements (SBITA)**— +\$9k increase due to higher grant-funded subscription based IT costs in Sheriff Clinical Services based on revised HCA Reentry grant-spend down projections provided by the Sheriff's Office; and
- **Placeholder Costs**—Increase of \$156k reflects the removal of placeholders for \$200k of ARPA funding re-obligated to fund personnel costs in the General Fund and \$50k for the Clerk's Office system migration costs for the upcoming Onbase to Odysee conversion project following the incorporation of these items into the Sheriff Operations and Clerk's budgets, respectively.

The net result of these changes resulted in the addition of \$49k of revenue and expenditure increases of \$367k, or a net reduction of \$318k in the General Fund's bottom-line from the Draft Budget presented in October—going from an operating deficit

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(including estimated payroll underspend) of (\$0.892) million to a deficit of (\$1.211) million.

GENERAL FUND BUDGET OVERVIEW

At a high level, the 2026 Proposed Final Budget projects a beginning General Fund Balance of approximately \$15.989 million, Revenues totaling \$57.335 million, Expenditures (including Transfers Out to other funds) of \$58.729 million, resulting in a budgeted use Reserves of (\$1.394) million, and leaving an ending General Fund Balance of \$14.595 million, representing an ending reserve level of 25% of total operating expenditures. However, as discussed later, when one adjusts for assumed 2% underspend to our personnel and benefits budgets of \$0.816 million, it is expected the Proposed Final budget deficit for 2026 is closer to (\$0.578) million, as compared to 2025's projected surplus of \$4.0 million, which would leave an ending fund balance of \$15.411 million for 2026, or a reserve of 26.6% of expenditures. After adjusting for certain placeholder amounts related to open labor contracts and other adjustments that we currently estimate in total will equal approximately \$0.633 million, we estimate a Proposed Final budget deficit for 2026 of (\$2.027) million and an ending fund balance of \$13.962 million (assuming no payroll underspend) and a deficit of (\$1.211) million and an ending fund balance \$14.778 million (when factoring in estimated payroll underspend), representing reserve levels of 23.5% and 25%, respectively. **This represents an overall improvement in ending reserves of \$2.159 million from our initial Preliminary Budget (after factoring in payroll underspend and placeholder costs).**

Below are the revenue and expenditure highlights behind these results:

REVENUE BUDGET HIGHLIGHTS

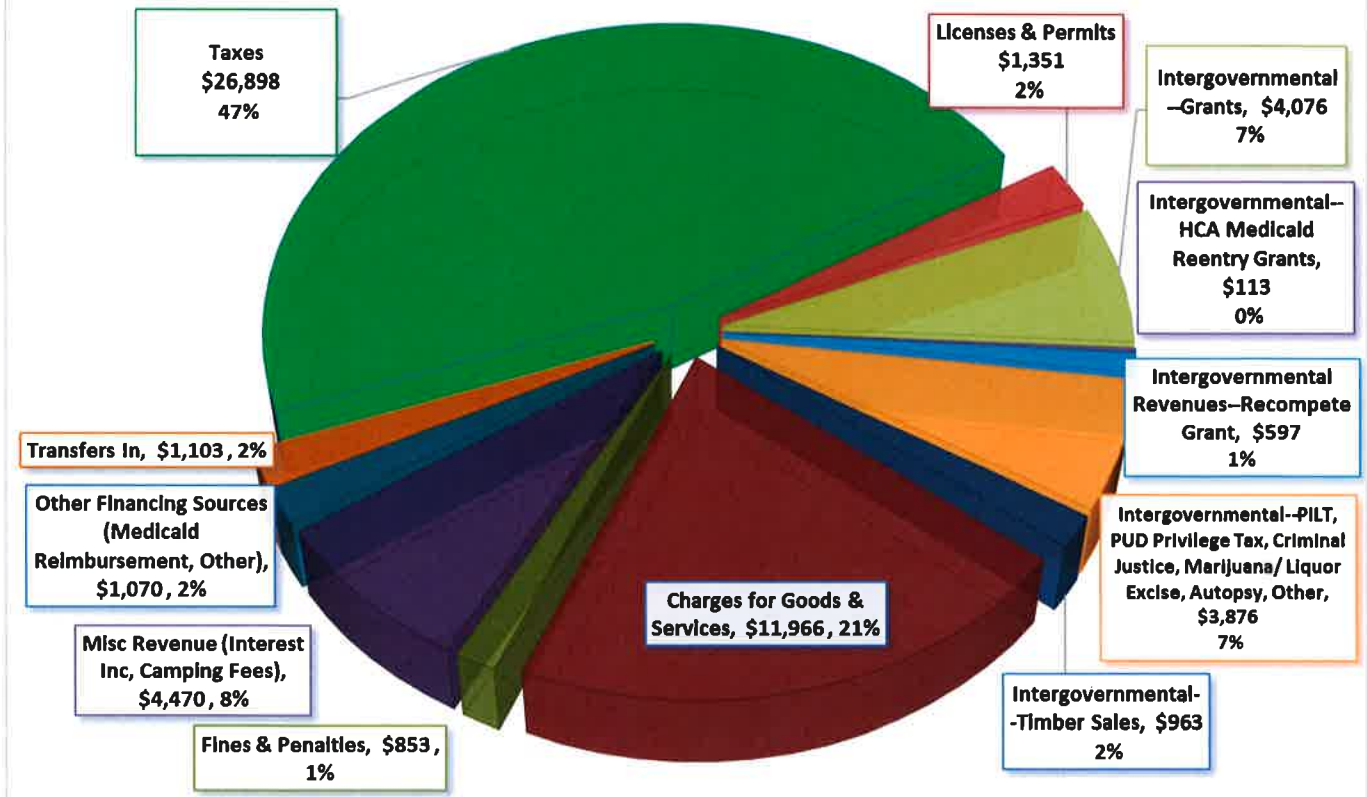
General Fund Revenues from Operations (which exclude Transfers In) are projected to total \$56.232 million, representing a -\$1,960k or -3.37% decrease over 2025 projected revenue expected, and a -\$564k or -1% decrease over the 2025 originally adopted budget. Transfers In revenues, consisting mainly of the return of working capital previously provided by the General Fund to other grant-funded projects and the non-recurring transfer of ARPA interest income to the General Fund, are budgeted to total \$1,103k, representing an increase of +\$270k from 2025 projected revenue. Total Revenue, including Transfers In, overall is budgeted to total \$57,335k, a decrease of -\$1,690k or -2.9%. As will be discussed in more detail below, these decreases are largely due to a -\$5.832 million decrease in Intergovernmental Grant Revenues, including decreases of \$3.89 million from the HCA Medicaid Reentry grant and -\$630k from the Recompete grant from 2025 to 2026, as offset by revenue growth in Taxes, Intergovernmental Taxes, Charges for Goods & Services, and Medicaid Reimbursement revenues.

The General Fund's primary sources of revenue in 2026 consist of the following:

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2026 GENERAL FUND --WHAT ARE OUR FUNDING SOURCES?

(\$ IN THOUSANDS)



TAX REVENUES

Representing 48% of General Fund total revenues, Tax revenues are projected to total \$26.898 million, an increase of \$576k or 2.2% in 2026.

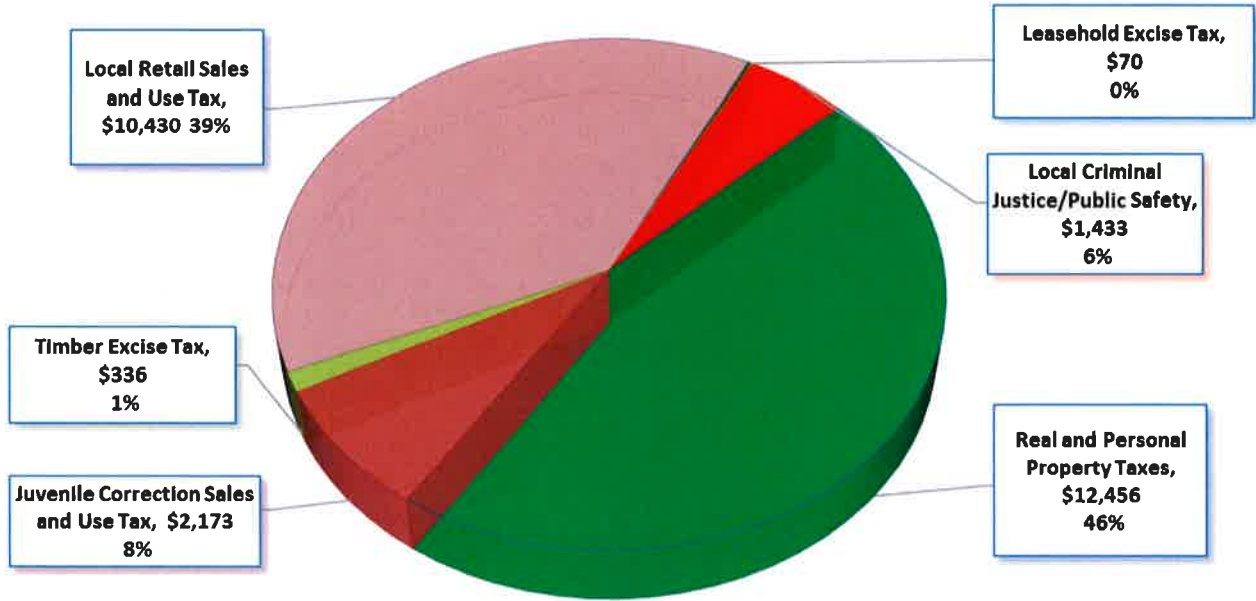
Below is a breakdown of the County's various major tax revenues by source:

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2026 GENERAL FUND TAX SOURCES

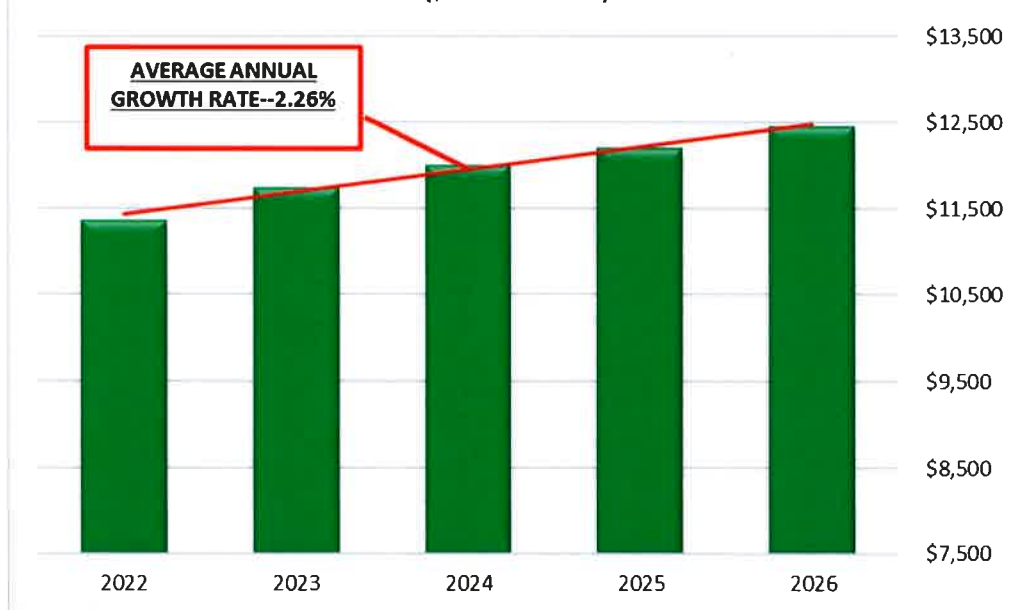
(\$ IN THOUSANDS)



Property taxes, representing 46% of total tax revenue and 21.7% of total General Fund revenue, are projected to total \$12.456 million, an increase of \$240k or 1.97% as we assumed the County takes its allowed for 1% annual levy growth limit, as adjusted for new construction assumed captured, as allowed for under statute. Property taxes have trended as follows over the past 4 years:

REAL AND PERSONAL PROPERTY TAXES

(\$ IN THOUSANDS)

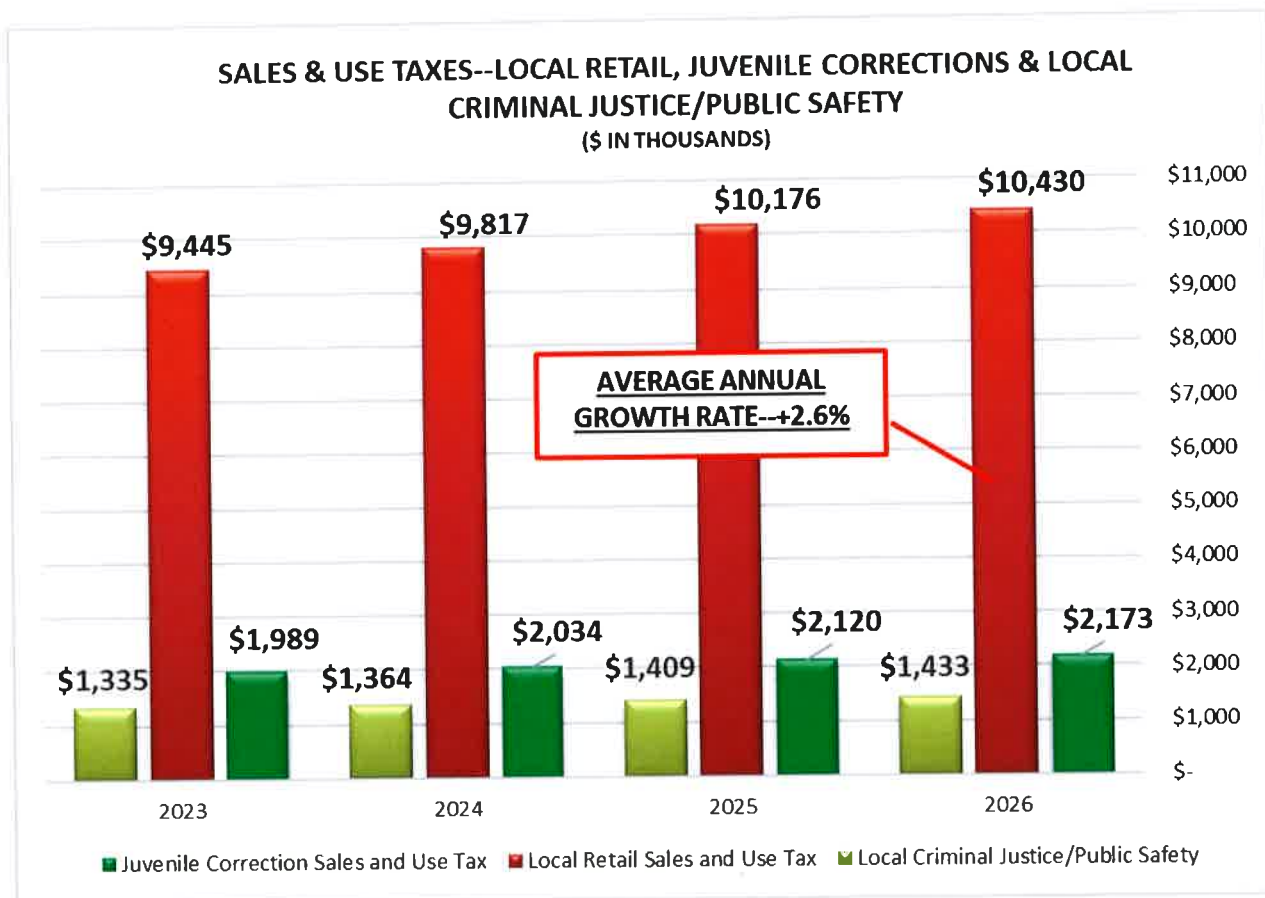


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Sales-driven taxes including local retail sales & use tax and juvenile correction sales and use taxes—representing 47% of total tax revenue and 23% of total General Fund revenue-- are projected to total \$12.603 million, a combined increase of \$307k or 2.5%, which again reflects our assumption that sales taxes will grow at a combined growth rate of 2.5% based on our updated 2025 forecast. This is consistent with 2.6% minimal overall growth in taxable sales forecasted for 2025 by the WA State Economic Forecast Council. While WA State Economic Forecast estimates a 6.8% increase in 2026 taxable retail sales activity, this is largely due to the elimination of sales tax exemptions status of several services that are now subject to sales tax, primarily relating to provision of IT services, sales of custom software, certain advertising services, temporary staffing, security services, and others. Given our County's business make-up, we believe the elimination of these sales tax exemptions will largely benefit tech-heavy regions of the State such as the I-5 corridor and will not have a large effect on our County's sales taxes.

Local Retail, Juvenile Corrections & Local Criminal Justice/Public Safety Sales taxes have trended as follows over the past 4 years:



Local criminal justice and public safety taxes are projected to total \$1.433 million, an increase of 1.7% in 2026 based on MRSC published guidance. Timber excise & leasehold excise taxes are projected to total \$336k, reflecting a minimal 1% increase over 2025 projections based on a two-year trailing trend.

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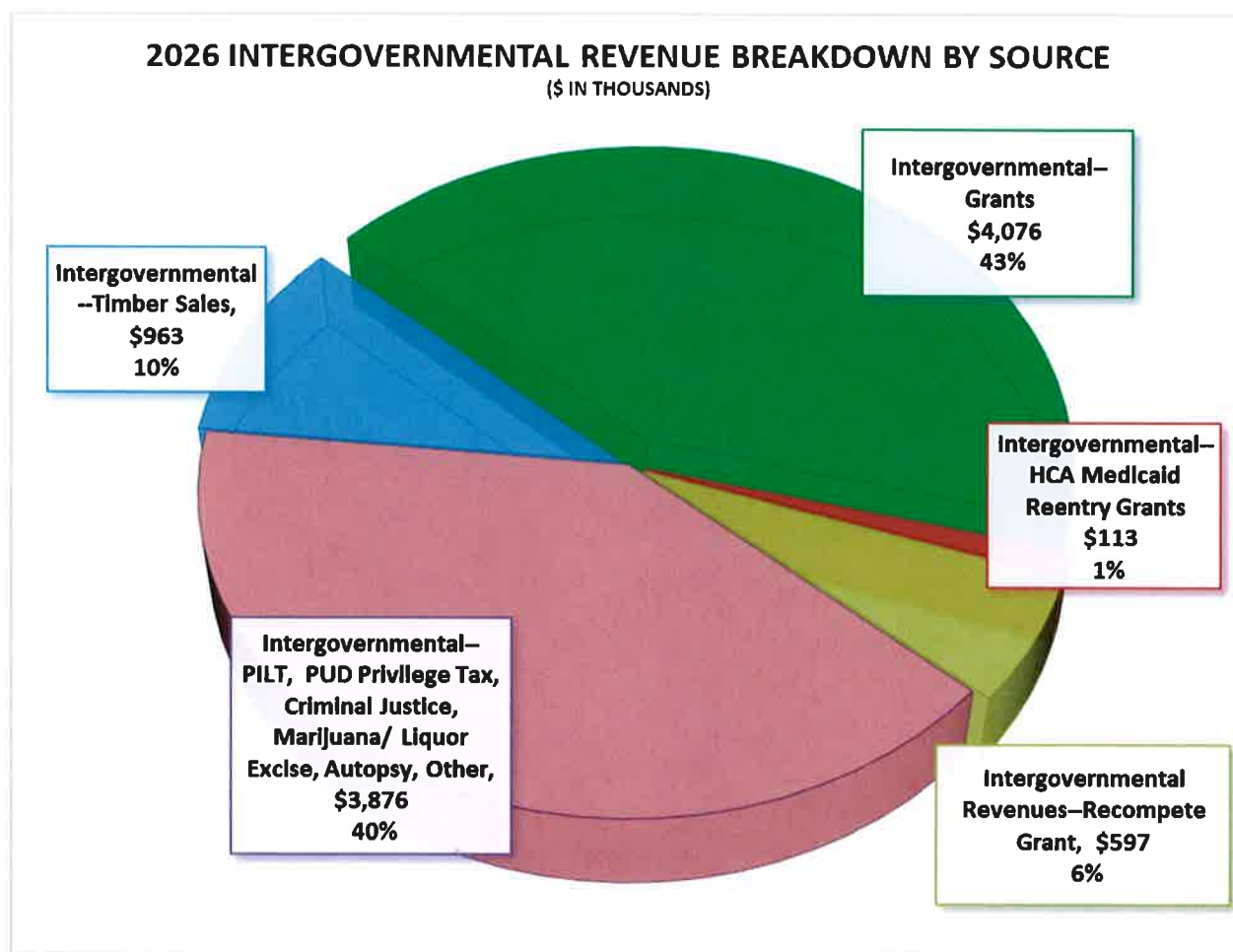
LICENSES & PERMITS

Licenses & Permits are currently projected to total \$1,351k, an increase of +\$54k or +4.1% from 2025 projections mainly due to a planned 2.7% CPI rate increase in Community Development's building permit and land use permit fees, and higher other fees in other areas over 2025 projected trend, as offset by a -3% decrease in franchise revenues mainly related to the Astound cable franchise agreement which generated higher revenue in 2025 due to a change in frequency of billing cycle as well as the expected continued erosion of revenues under this agreement.

INTERGOVERNMENTAL REVENUES

Overall, Intergovernmental Revenues--consisting of federal and state grants, intergovernmental tax and excise payments received by the County, and DNR timber sales --are budgeted to total \$9,624k, representing 16.8% of total General Fund revenue budget and reflecting a decrease of -\$5,556k or -36.6% in 2026.

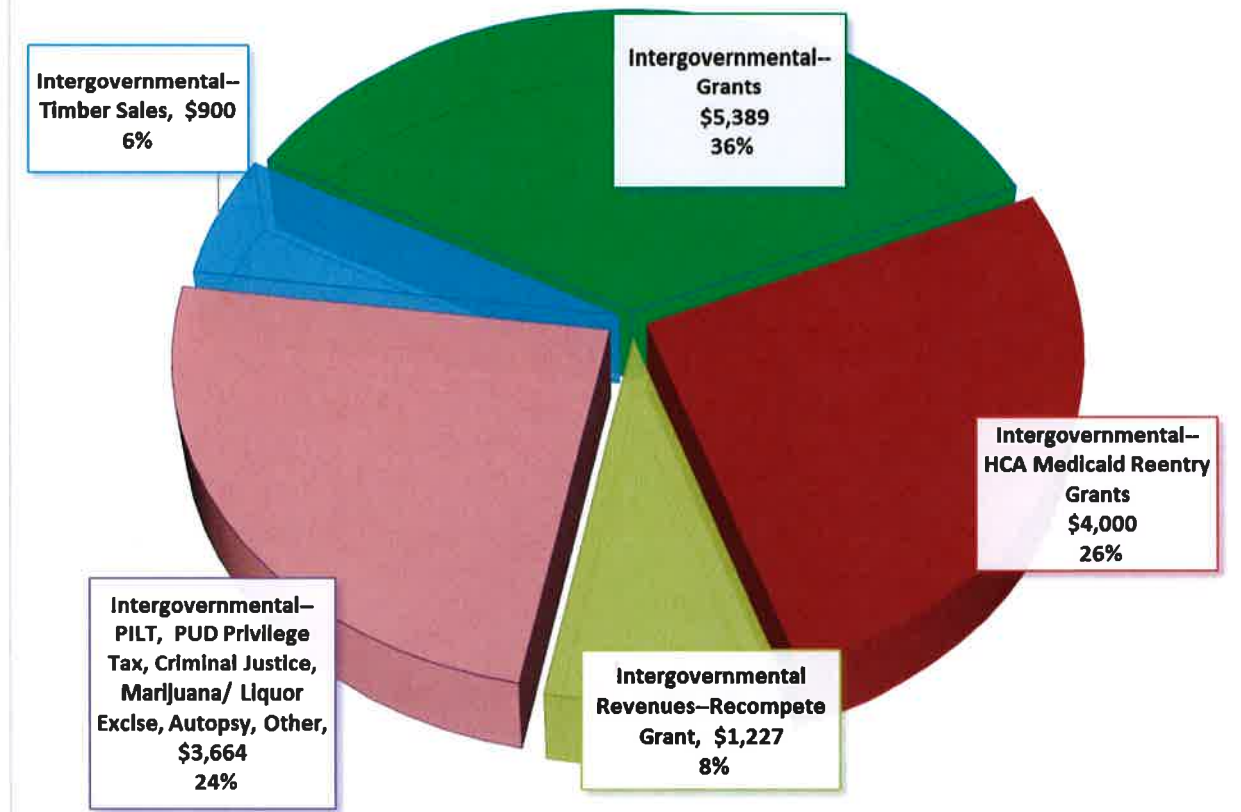
Below is a side by side comparison of the sources of intergovernmental revenues for 2026 and 2025.



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2025 INTERGOVERNMENTAL REVENUE BREAKDOWN BY SOURCE (\$ IN THOUSANDS)



Intergovernmental grant revenues, excluding HCA Medicaid Reentry and Recompete, are budgeted to total \$4.076 million, a decrease of -\$1,314k or -24.4% from 2025 driven principally by grant losses in:

- Sheriff Emergency Services (down -\$238k due to higher Community Wildfire Defense and Homeland Security Preparedness grants in '25);
- Community Development—Environmental Quality (down \$490k due to lower Growth Management Act, Climate Planning, McDonald Creek Fish Barrier, Lower Elwha Migration Zone, and various MRC grants);
- Juvenile Services (down -\$261k, primarily due to a \$123k cut in State funding of Becca, \$36k lower Special Sex Offender Disposition due to lower case counts, and lower HHS HCA funding);
- Superior Court (down \$55k in AOC Rural Security grant);
- District Court (down \$184k in AOC Therapeutic Court and Veterans Court grant funding); and
- Decreases in BOCC--Non Departmental (-\$489k in CBDG CIE and DOC/WSAC Energy Audit grants); Health & Human Services Environmental Health (-\$27k), Indigent Defense (-\$13k), and in other areas.
- These decreases are partly offset by grant gains in Sheriff Ops (up \$553k mainly due to WASPC Mental Health Field Response grant increase), and gains in other areas.

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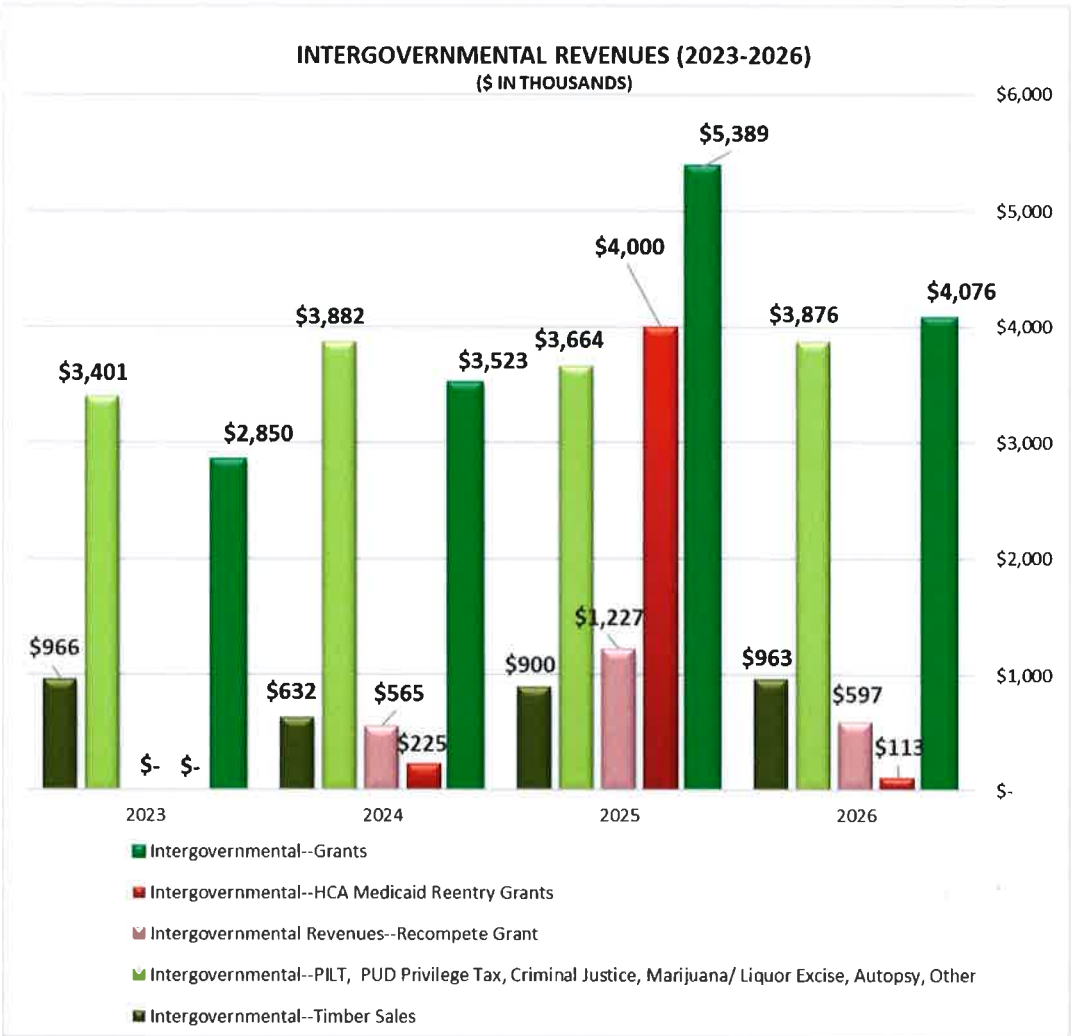
Intergovernmental Grant Revenues from the Recompete Program are budgeted to total \$597k in 2026, a decrease of \$630k as this project transitioned from strategy development and standup to ongoing support and monitoring.

Intergovernmental Grant Revenues from HCA Medicaid Reentry are budgeted to total \$113k in 2026, a \$3.9 million decrease from 2025 due to the prefunding of this grant received in 2025.

Intergovernmental tax revenues including PILT, Criminal Justice, PUD Privilege taxes, Liquor and Marijuana excise taxes, and other taxes are projected to total \$3.9 million, an increase of \$212k or 5.8%, which is primarily due to a \$76k or 8% increase in Criminal Justice, and 2.5-3% increases in PILT, PUD Privilege Tax, and other increases.

Intergovernmental timber sales revenue (consisting of DNR timber sales) is projected to total \$963k in 2026, an increase of \$63k or 7% based on an initial 2026 estimate derived from June DNR 2025 timber harvest report.

Below is a summary of how each our recurring sources of Intergovernmental Revenue (excluding ARPA Section 605 and COVID funds) have performed over the past 4 years:



CHARGES FOR GOODS & SERVICES

Charges for Goods & Services are budgeted to total \$11.966 million in 2026, an increase of \$2,409k or 25% in 2026 driven by the following:

- Sheriff Operations (+\$70k primarily due to higher OPSCAN Radio Tech Services charges, as offset by \$20k in lower Stonegarden law enforcement services funding)
- Sheriff Jail (+\$1.1 million overall increase related to cost analysis-based increase in Criminal Justice Interlocals with Sequim & Port Angeles, as offset by reduced revenue under other governmental agency contracts based on trend),
- Sheriff—Clinical Services (+\$392k increase due to higher Mental Health Services Hargrove support (+\$158k) and assumed increase in Criminal Justice Interlocals with Sequim & Port Angeles allocated to Jail Clinical Services;
- Indigent Defense-- (+\$320k due to assumed increase in Criminal Justice Interlocals with Sequim & Port Angeles allocated to indigent defense);
- District Court 1—(+ \$523k increase due to \$108k increase in Hargrove funding received for Mental Health Court, revenues from the Criminal Justice Interlocals with Sequim & Port Angeles allocated to District Court based on cost of services provided, as offset by a -\$24k decrease in Probation revenues);
- Prosecuting Attorney—(+ \$533k due to services revenues now being allocated from the Criminal Justice Interlocals with Sequim & Port Angeles to the PAO based on cost of service provided, and higher services revenues from Civil Professional Services provided to Public Works and HR Risk Management.
- Community Development--+\$13k in building plan check revenues due to a planned 2.7% CPI increase; and
- Increases in other areas.

These increases are partly offset by declines in:

- Auditors (down -\$150k primarily due to lower Election Services revenue than 2025)
- Community Development—Environmental Quality (down \$184k due to Hazard Mitigation Plan interlocal agreements entered into with Forks, Port Angeles & Sequim in 2025)
- Treasurer (-\$88k principally due to re-distribution of revenues from Criminal Justice Interlocals with Sequim & Port Angeles to the criminal justice departments providing services),
- IT (down \$51k due to discontinuance of IT additional support services provided to Roads); and
- Superior Court (down \$45k due to discontinuance of CHSW Parents for Parents program and lower trending drug courts fees, as offset by \$30k in additional Hargrove funds provided for a Superior Court Judge and Court Commissioner's time spent in support of the therapeutic courts).

FINES & PENALTIES

Fines & Penalties are budgeted to total \$853k, a decrease -\$74k or -8% over 2025, primarily due to lower fines & delinquent tax penalty revenue budgeted by District Court 1 and Treasurer in comparison to 2025 trend.

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MISCELLANEOUS REVENUE

Miscellaneous Revenue is projected to total \$4.470 million in 2026, and consists mainly of interest income (totaling \$2.78 million in 2026), parks camping fees (totaling \$944k in 2026), Environmental Health operating assessments (\$297k), and fairground rental, concession fees and event sponsorships (\$208k). Miscellaneous revenue is budgeted to decline -\$241k or -5.1% in 2026, mainly due to lower investment interest income in 2026 as the Federal Reserve has recently resumed reducing interest rates in September that is expected to continue later this year and next year. Campground and fair revenues are expected to remain relatively flat to slightly down (-\$18k) to our 2025 forecast following fee increases implemented in 2025. Fair revenues from vehicle storage rentals and other building/grounds rental fees are projected to drop \$17k to reflect reduced capacity as certain fairground buildings are undergoing maintenance. Environmental Health operating assessments are also projected to increase \$7k in 2026 due to a planned CPI increase.

OTHER FINANCING SOURCES

Other Financing Source revenue is budgeted to total \$1,070k in 2026, an increase of \$872k. Consisting primarily of Medicaid reimbursement revenue billable by the County's Clinical Shared Services group supporting the healthcare needs of adult and juvenile offenders in the County's carceral facilities under the HCA Medicaid Reentry grant program, this new revenue stream is expected to commence late in the 4th quarter of 2025, and in 2026 is estimated to total \$870k assuming a full year of Medicaid billing is achieved. The 2026 budget also reflects the sale of \$200k of surplus county property held.

TRANSFERS IN

Transfers In for the General Fund--consisting primarily of the return to the General Fund of previously provided working capital funds by the General Fund to various grant-funded projects-- are budgeted to total \$1.103 million in 2026, consisting of:

- \$500k from the transfer of temporary working capital provided by the General Fund to the Joyce Broadband Infrastructure Capital project which is expected to conclude in the 4th quarter of 2026;
- \$531k from the transfer of previously provided construction-related working capital from the Dungeness Off Channel Reservoir capital project fund as the main construction phase of this project is likely delayed until 2027/2028 at the earliest pending securing sufficient grant funding to complete the project;
- \$18k of funding from the Carlsborg Water Mitigation fund as the fund has no foreseeable costs;
- \$10k from the transfer of all interest income earned to-date on American Rescue Plan Act funds from the ARPA fund to the General Fund (vs. \$96k in 2025);
- \$40k recurring transfer to District Court 1 from the Trial Courts Improvement fund; and
- \$2k transfer from Public Works for the employee wellness benefit program which is being transitioned to the General Fund's HR department for 2025.

This represents a \$270k increase from 2025, which is primarily due to the remaining \$311k of the remaining working capital funding provided by the General Fund for the Lower Dungeness Floodplain project in 2025 and \$378k return of working capital from the Clallam Bay Sekiu Sewer fund following completion of the first phase of the stormwater sewer upgrade project in 2025.

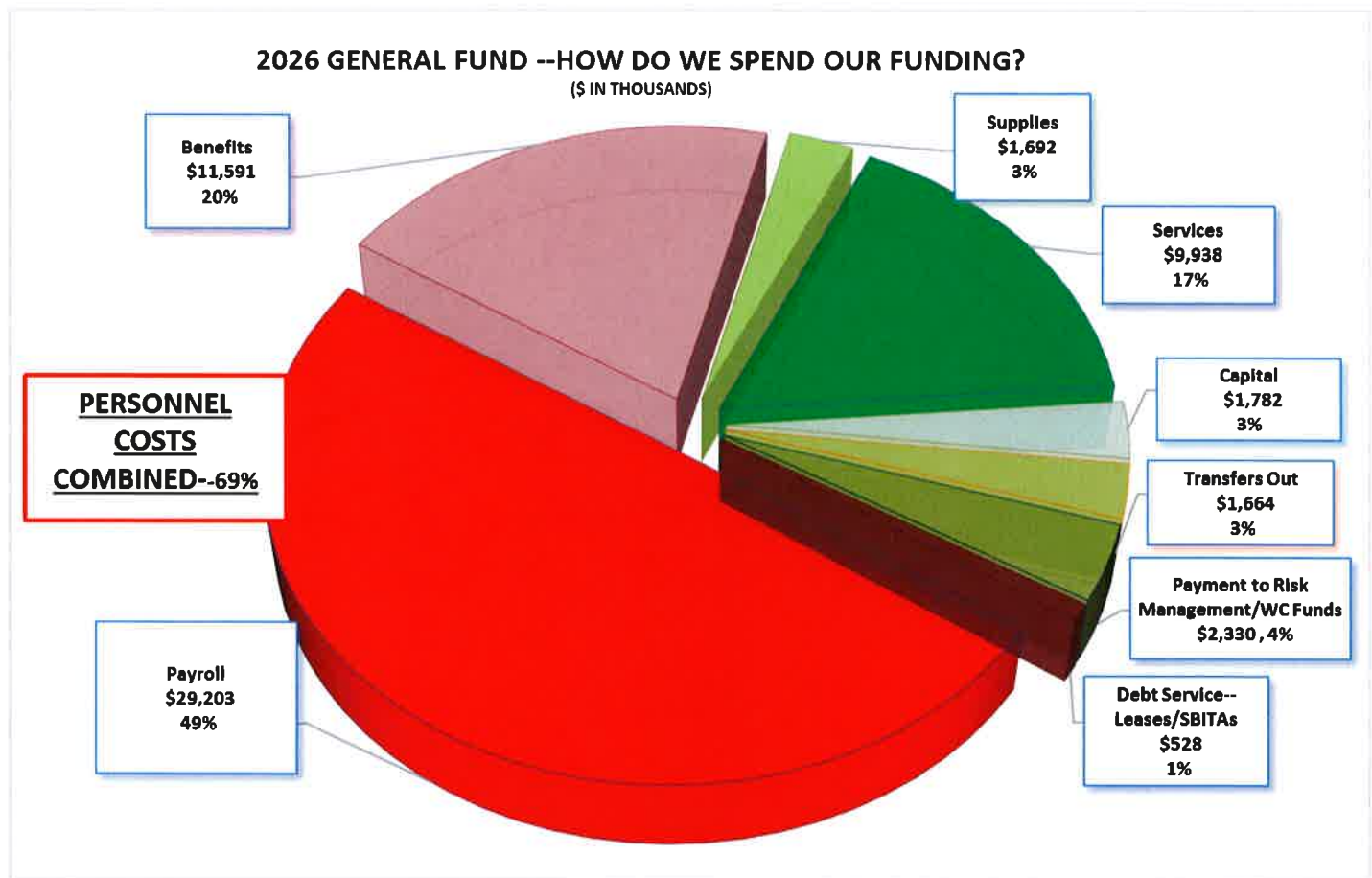
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EXPENDITURE BUDGET HIGHLIGHTS

Turning to expenditures, our General Fund Operating Expenditure budget, excluding Transfers Out, currently stands at \$57.064 million, an increase of \$3,092k or 5.7% from our 2025 projected expenditures, and an increase of \$1.131 million or +1.93% over the adopted 2025 budget. Transfers Out—consisting of capital outlay funding provided to the Parks & Facilities Capital Projects and IT Capital Projects fund, working capital funding provided to grant-funded projects that are expected to be returned to the General Fund after the project concludes and all grant reimbursements have been received, and transfers provided as a subsidy to certain non-General Fund funds that require supplemental funding to operate (i.e. Health & Human Services Operations, Veteran's Relief, Local Crime Victim Witness fund, Solid Waste Fund, Flood Control, Carlsborg Sewer, etc)—are budgeted to total \$1,664k in 2026, an increase of +\$637k from 2025 projected. After including Transfers Out, Total Expenditures are budgeted to total \$58.729 million, an increase of \$3,730k or 6.8% over 2025 projected costs.

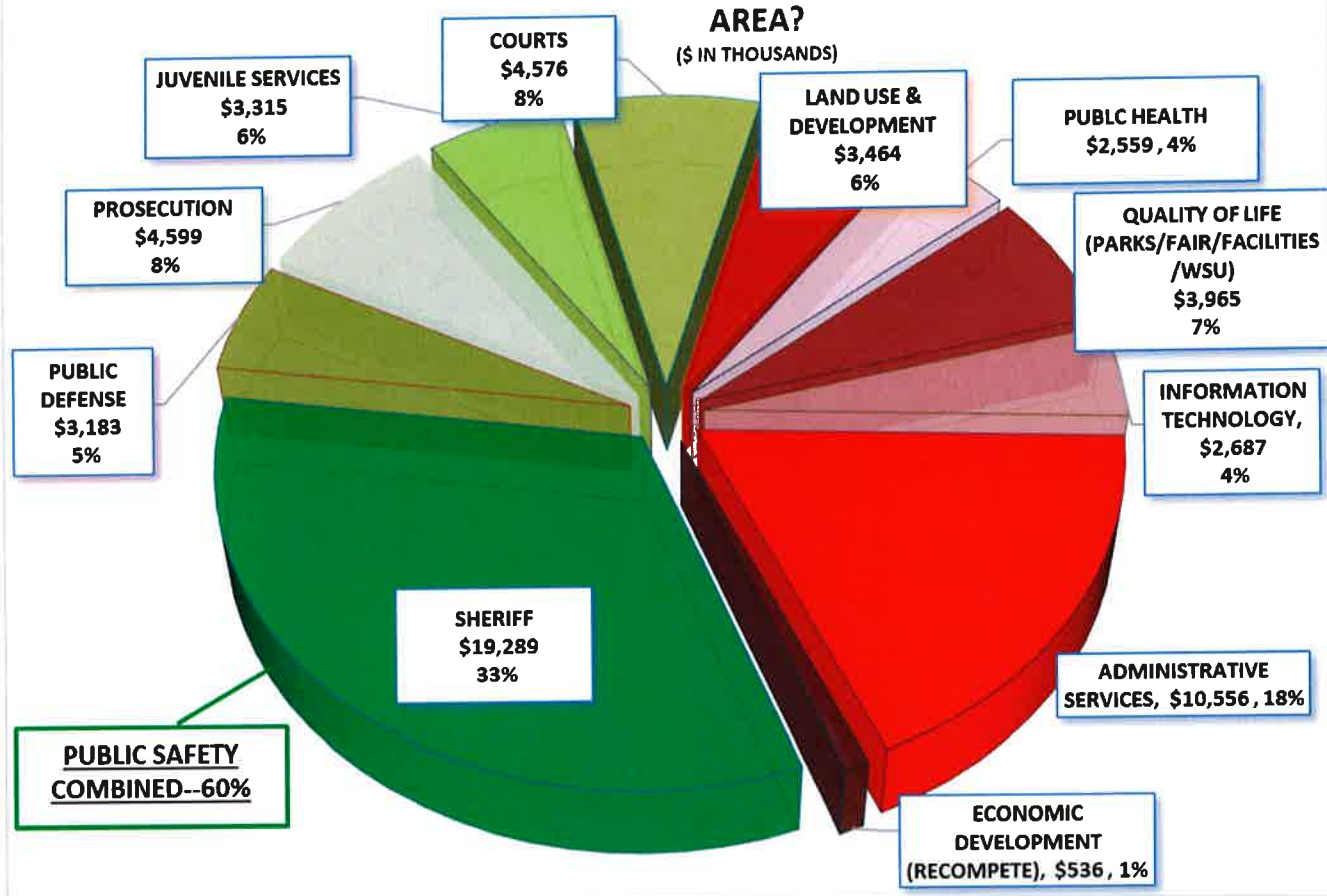
Below is a breakdown of how the General Fund spends its funds by type of expenditure and by area:



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2026 GENERAL FUND --HOW DO WE SPEND OUR FUNDING BY MAJOR



SALARIES, WAGES & BENEFITS

The largest driver of the budgeted expenditure increase over 2025 projected expenditures is in Payroll and Benefits costs. Representing approximately 69% of our total expenditure budget, Payroll and Benefits are budgeted to total \$40,794, with Payroll up \$2,600k or +9.8% and Benefits up \$849k or 7.9%, respectively, to the 2025 forecast. These increases are partly due to the fact that the budget assumes all budgeted staff positions are filled for the entire year as required under current policy, which was not the case in 2025 and prior years where due to retirements, voluntary terminations, and other delays in filling positions during the year, the County continued this trend of having more open positions during 2025. This, together with a delay in ratifying one of our labor agreements included in the 2025 budget, is expected to result in a projected budget underspend in payroll and benefits in 2025 of approximately \$2.5 million or 6%. Based on analysis of its 3-year and 5-year historical average payroll/benefits budget underspend, the County has underspent its Payroll budget between 7.8% to 8.4%, equal to between \$2.7 million and \$3.2 million of budget underspend. While not reflected in the current 2026 Proposed Final budget due to policy, we anticipate a level of personnel budget underspend of approximately \$0.816 million or 2%, based on an assumed lower position vacancy rate following conclusion of our labor contract negotiations and employment trends observed. **If you adjust our 2026 personnel cost budget for this anticipated underspend equal to approximately \$0.816 million based on the 2026 payroll budget, our combined**

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personnel costs in reality are expected to increase \$2.633 million or 7.1% in 2026 as compared to projected 2025 costs.

This 7.1% increase in overall payroll/benefits costs is largely being driven by collective bargaining-related COLAs of 1.5% in January 2026 and 1.5% in July 2026, full year impact of 2025 COLAs provided under labor contracts ratified in the 2nd half of 2025, pay step increases, pay adjustments, and a \$50-per-month increase in County-paid health premium increases for each collective bargaining unit. These increases were partially offset by savings from DRS pension contribution rate decreases that took effect in July 2025, resulting in pension rate decreases ranging from 25% to 38%, leading to a \$706k decrease in budgeted DRS contribution costs paid by the County when comparing the 2026 budget to the 2025 adopted budget. Position cost savings related to certain retirements that occurred in 2025 and expected in 2026 are also reflected, as well as FTE reductions as outlined below. In addition, \$200,000 of previously committed ARPA funding that is expected to be re-obligated and used to fund personnel costs of the General Fund is reflected in the 2026 Sheriff--Operations budget. Partially offsetting these savings is the addition of \$189k in funding to support rising costs of the LEOFF 1 retiree medical costs, the addition of a new County Coroner Position, and other FTE additions outlined below.

It is important to note that the Proposed Final budget now reflects the effects of the recent ratification of one of our interest arbitration bargaining units that took effect in September 2025, but it does not yet factor in compensation changes related to our remaining interest arbitration and limited commission bargaining units which are in various stages of negotiation. High level placeholders have been updated from previous estimates for the remaining interest arbitration bargaining units and incorporated for purposes of estimating ending 2026 General Fund reserves.

After further adjusting for these certain placeholder costs related to open labor agreements and other personnel costs, overall salaries and benefit costs for 2026 are expected to total \$40.611 million, representing an increase of \$3.27 million or 8.7% over 2025.

Changes in Budgeted FTEs

As outlined in the attached "Budgeted Staff Schedule History", the 2026 Proposed Final Budget assumes a full staffing level for the General Fund of 330.99 FTEs, which reflects -0.5 fewer FTEs than the 2026 Draft Budget and -2.43 fewer FTEs than the 2026 Preliminary Budget and -2.1 fewer FTEs in 2026 as compared to the 2025 budget based on the following changes:

- Assessor (-.5 FTE)
- NonDepartmental (Finance)—(-2.0 FTE due to transition of payroll Finance back to HR)
- Community Development – Administration (+1.0 FTE)
- Human Resources (+1.93 FTE due to shift of payroll staff from Finance)
- IT (-1.0 FTE due to elimination of the Deputy Director position)
- Sheriff Jail (-3.0 FTE due to elimination of CREW/Chaingang positions due to the loss of Roads funding for CREW operations);
- Sheriff Clinical Services (+5.4 FTEs due to creation of this shared services group to support healthcare needs within our adult and juvenile carceral facilities, which reflects 1.0 FTE added for the new Clinical Services Director position, 4.83 FTEs transitioned from Juvenile Services

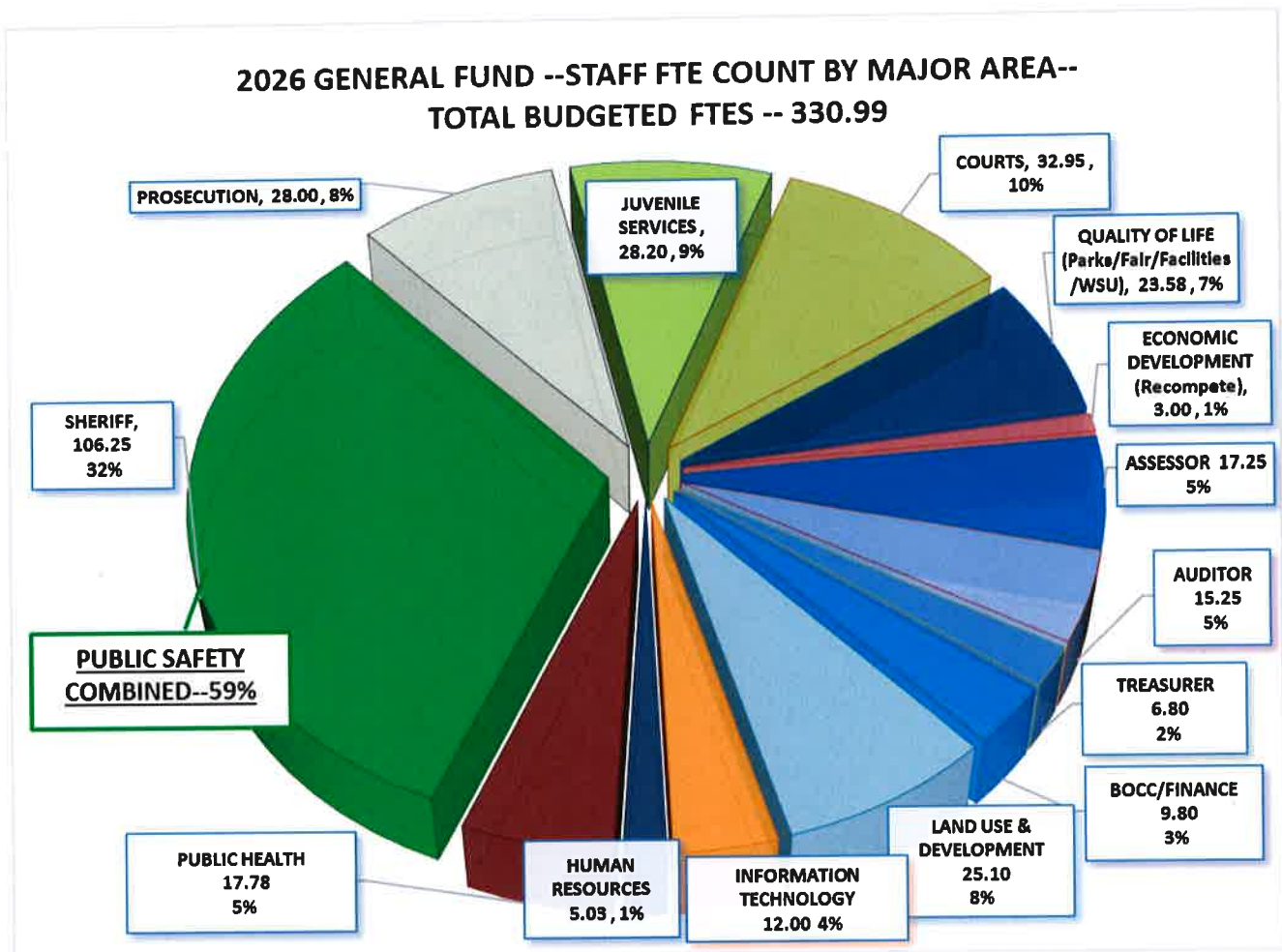
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to Clinical Services in 2025, the addition of 1.0 FTE Record Specialist position, and realignment of nursing staff resulting in a -1.43 FTE reduction);

- Prosecuting Attorney Operations (+1.0 FTE for Civil Paralegal position to be added in 2026);
- Juvenile Services (-5.43 FTEs due to transition of positions to the new Sheriff Clinical Services department and elimination of a Fiscal Specialist position);
- Coroner (+1.0 FTE for newly created Coroner position); and
- Clerk (-.5 FTE)

Below is a breakdown of General Fund FTE Staff by Major Area:



SUPPLIES

Supplies are budgeted to total \$1.692 million, an increase of \$100k or 6.3% from 2025 as projected. This increase is mainly reflective of 2025 budget trend savings reflected in the 2025 projection increases in Clinical Services and other areas, the addition of \$44k of department requests, as offset by \$46k of supplies cost reductions identified during review of departments' Preliminary Budgets.

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SERVICES

Services in 2026 are projected to total \$9.938 million, a decrease of -\$998k or -9.1% over 2025 projected services costs, and an increase of +\$343k compared to the 2025 original budget. This decrease is mainly due to the following:

- NonDepartmental—(decrease of -\$624k due to elimination of criminal justice study costs (\$90k), Center for Inclusive Entrepreneurship CDBG grant costs (\$203k), Clallam Conservation District and North Olympic Library support (\$61k), and Energy Audit professional services (\$238k) incurred in '25), as offset by \$25k in higher postage and building security costs.
- Community Development—Environmental Quality (-\$645k in lower grant-funded professional services costs tied to the Growth Management Act, Climate Planning, Lower Elwha Migration and other grants);
- Recompete--(-\$529k in lower grant-funded professional services and Clallam EDC costs),
- Sheriff Jail—(-\$70k related to building security, lower vehicle rental costs & lower CREW costs)
- Sheriff Emergency Services—(-\$116k due to lower grant-funded Wildfire Mitigation Plan professional services)
- Sheriff Clinical Services—(-\$57k in lower computer system maintenance and other costs);
- GIS (-\$54k),
- Health & Human Services—Environmental Health (-\$91k due to lower grant-related professional services and vehicle rental costs);
- Coroner—(-\$20k in lower in transport and storage costs due to delay in full utilization of coroner vehicle in '25, as offset by higher coroner autopsy services and vehicle rental costs); and
- Indirects (increase of \$145k in General Fund shared services costs allocated to other funds);
- Superior Court – (-\$81k in lower costs related to discontinuance of Parents for Parents program and one-time IT technology costs in '25); and
- Decrease in other areas.
- These decreases are partially offset by contractual and grant-related increases in various areas, including:
 - Information Technology (+\$291k, of which \$193k relates to the reclassification of Microsoft Office 365 license costs from debt service costs to Services due to the software license transitioning to a one-year license and a department request for \$30k of consulting professional services)
 - Sheriff Operations (+\$619k, of which \$575k relates to higher WASPC Mental Field Response grant-funded services costs, \$43k in higher Enhanced 911 central dispatch services fees from Pencom), as offset by -\$59k decrease in ER&R vehicle rental costs from the 2025 budget; and
 - Indigent Defense (+\$338k over 2025 projected costs, due to additional one-time expert services and adult felony costs of \$200k anticipated for the two murder trial/retrials in 2026, \$84k increase in conflict attorney and juvenile truancy costs, and anticipated increases under the Clallam Public Defender contract).
 - Juvenile Services (+\$87k due to shifting of placeholder cost reductions from Services to Personnel costs in the 2026 budget)

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PAYMENT TO RISK MANAGEMENT/WORKERS COMP FUNDS

The General Fund's share of Risk Management/Workers Compensation funds operating costs is budgeted to total \$2,330k, representing an increase of \$57k or 2.5% increase over 2025. This increase is being driven mainly by an expected 28%+ rise in WAC risk pool liability insurance costs in 2026 over 2025 as partly offset by a -23% decrease in property insurance costs due to rising liability property insurance costs being seen state-wide, continuing a multi-year trend, as offset by a one-time realignment of Risk Management reserve levels resulting in a reduction of \$192.5k in costs allocated to the General Fund.

DEBT SERVICE COSTS

Debt service costs consists of (1) certain office, land, and equipment leases with a lease term greater than one year, and (2) certain multi-year software licensing and online subscription costs now required to be treated as debt following a recent accounting rule change. These costs are budgeted to total \$528k, representing a decrease of -\$55k or -9.5% over 2025. This decrease is mainly due to the re-classification of the IT Microsoft Office 365 license of \$275k from debt service to services costs as the software license transitioned from being a multi-year license to a single year license. This decrease was partly offset by the addition of a new accounting ERP system license cost, the addition of Taser service contracts for the Sheriff's Office and Juvenile Services in 2025, and additional rent costs tied to additional storage space leased by the Sheriff's Office in 2025, and contractual increases.

TRANSFERS OUT

Transfers Out consists of funding provided by the General Fund to fund (1) Capital projects in the Parks & Facilities, IT Capital Projects, and certain other capital project funds; (2) Working capital needs of capital projects that rely principally on reimbursement grants for funding; and (3) those County Funds whose own sources of funding are inadequate to fully cover their operating costs. Transfers Out are budgeted to total \$1,664k in 2026, a +\$637k increase from projected 2025. This increase is mainly due to increases in Transfers to:

- Health & Human Services—Operations (+\$737k higher in 2026 due to this fund's reserves--consisting mainly of opioid settlement funds--needing to be transitioned to a new Opioid Settlement fund to be established in 2026 to insure such funds are appropriately used for eligible activities, leaving this fund with inadequate reserves to operate. This fund is heavily reliant on grant funding from various sources, many of which limit the amount of indirect costs allocated to the fund that are eligible for reimbursement under these grants. Because the amount of indirects charged to this fund by the General Fund often exceed the amount these grants will cover, this creates a situation where this fund under its current cost structure will require General Fund subsidy support to cover that portion of indirect costs not covered by the grants levels as well as working capital support under its grant reimbursement funding structure (based on recent discussions, other measures will also be taken regarding timing of receipt of budgeted funding from County Hargrove and Opioid Settlement funds will be enacted in 2026 to provide additional working capital flexibility);
- Broadband Infrastructure Capital Project-- +\$204k in temporary working capital to be provided by the General Fund to the Joyce Broadband project which is expected to conclude in the 4th quarter of 2026, at which time this funding along with working capital to be

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provided in 2025 will be returned to the General Fund after all grant reimbursements are received; and

- Solid Waste-- +\$45k in subsidy funding needed to support ongoing monitoring costs of the former Lake Creek landfill site and other unfunded costs;
- Parks & Facilities Capital Projects Fund (+\$13k higher reflecting previously approved and mandatory recurring capital projects, the addition of \$75k of additional capital requests (see capital plan discussion that follows for more detail), and the park master plan project being funded in 2025);
- IT Capital Projects Fund (+\$33k higher due to addition of \$26k of capital outlays for completion of the BOCC network room and UPS/Battery Replacement costs); and
- Local Crime Victim Compensation fund (+\$23k higher due to additional victim and witness support requested for the upcoming murder trial/retrials in 2026).
- Offset by Transfer decreases in:
 - Carlsorg Sewer fund (-\$46k lower)

Transfers Out from the General Fund included in the 2026 Proposed Final Budget include the following:

• Health & Human Services Operations	\$ 737,121
• Capital Projects—Parks & Facilities	279,243
• Broadband Infrastructure Capital Project	203,612
• Capital Projects—IT	32,784
• Local Crime Victim Comp	55,435
• Veterans Relief	67,500
• Public Works--Flood Control	90,392
• Public Works—Carlsborg Sewer	23,272
• Public Works—Solid Waste	45,000
• HHS Chemical Dependency/Mental Health	6,037
• Treasurer Land Assessment	15,450
• REET 1 (from Juvenile Services)	108,650

TOTAL TRANSFERS OUT—2026 \$ 1,664,496

2026 PROPOSED FINAL CAPITAL BUDGET

Attached is the breakdown of capital outlay requests as part of the 2026 Proposed Final Budget, as well as those requests that we propose be deferred at this point. These materials include the following:

- **2026 Proposed Final Capital Outlay Budget--By Fund--** which lists all proposed capital requests sorted by department and fund. Also included at the bottom of this schedule is a Capital Funding Sources and Uses Summary that outlines which fund we propose be used to finance the proposed capital outlays, and the budgeted beginning and ending fund balance and projected revenue and other non-capital expenditures of each respective source fund for 2026;
- **2026 Proposed Final Capital Outlay Budget--By Key Strategic Capital Project--** includes a summary of the proposed capital spending for 2026 by key strategic initiative/grouping category created for the capital planning process; and

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- **2026 Proposed Final Capital Requests Excluded from 2026 Budget--** reflects those lower priority capital requests which we recommend be deferred based on current funding limits and level of priority.
- **CAPITAL REQUESTS**-- we are proposing a total \$54,303,537 of capital outlays for the 2026 county-wide budget and deferring \$800,973 of requests identified in the current Proposed Final of the 2026 capital plan. The recommended capital outlays are proposed to be funded through the following sources (source: "Proposed Capital Requests to Include in 2026 Budget" attachment):
 - Parks & Facilities Capital Projects Fund--\$527k total, made up of \$250k for a grant-funded Rodeo Arena upgrade project (dependent on receiving grant funding), \$127k for PFF Unanticipated Projects, \$50k for an Office Space Reconfiguration/Expansion placeholder to cover needs of the various County offices, \$10k to update & install cuff ports in jail cell doors, \$70k carryover from the 2025 Parks Master Plan, and \$10k carryover from the 2025 Single Point Entry project; the capital outlays from this fund are partially grant-funded and will require a Transfer from the General Fund of \$279.2k.
 - IT Capital Projects Fund--\$238k total, made up of \$177k for the migration from EDEN to an enterprise accounting system, \$50k for Unanticipated Projects, and an ongoing copier replacement plan request of \$55k, \$6k for completion of the 2025 wiring closet outside the BOCC suite, and \$5k for a network sound enclosure for equipment housed in the Treasurer's breakroom; the capital outlays from this fund will require a Transfer from the General Fund of \$32.8k.
 - REET 1--\$2,747k total, made up of \$918k for the installation of an Air-Water Heat Pump for Hot Water Generation as part of the Energy Audit performed in 2025, \$586k for the replacement of light fixtures at the Courthouse and Juvie as part of the Energy Audit performed in 2025, \$445k for the non-HCA Medicaid Reentry grant portion of the Control Room Upgrade at Juvie, \$325k for upgrades and signs related to the new Dungeness Trails Park, \$200k for TRANE Control Improvements and Upgrades, \$50k for continued replacement of the Courthouse VAV HVAC air system boxes, as well as \$223k of other smaller ongoing requests (courthouse flooring, parks trails & roads maintenance, jail locks replacement, and Historic Courthouse exterior preventative & restorative services, fairgrounds septic pump replacements, moving modular offices to Clallam Bay, and security fencing around the 3rd St HHS building).
 - REET 2-- \$3.7 million made up of a transfer of \$3 million to the Joint Public Safety Facility fund and a transfer of \$700k to the Roads fund.
 - Joint Public Safety Facility--\$17.19 million consisting of the project's construction work. This phase will be paid through a combination of State & Federal grant funding sources, Emergency 911 Communication Tax, and REET 2.
 - General Fund--\$1.782 million consisting primarily of:

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- \$1.412 million of HCA Medicaid Reentry grant-funded IT capital projects at both carceral facilities;
- \$270.7k of Sheriff Operations/Jail/Emergency Services items (\$232.7k of which is for vehicle ER&R replacement and vehicle equipment for the scheduled replacement of 4 patrol vehicles), and \$38k for portable radio replacement;
- \$50k in Prosecuting Attorney for door security improvements;
- \$45k in Superior Court (\$24k for JAVS PolyCom Video Conference replacements, and \$21k for bullet-proofing of Judicial bench & clerk desks), and
- \$5k in Health & Human Services for the installation of a drinking water fountain with a bottle filler.

As noted earlier, Transfers from General Fund will be needed for Parks Facilities and Fair Capital Fund (\$279.2k) and the IT Capital Projects fund (\$32.8k) to fully fund the 2026 capital projects in these funds, which are noted in the 2026 Proposed Budget;

- Other Funds Capital Outlays
 - Roads--\$9,930k, including \$365k for ER&R vehicle/equipment costs and \$9,565k of planned Right of Way and other Roads-based projects;
 - OPSCAN--\$170k for radio network equipment replacement;
 - Dungeness Off Channel Reservoir--\$3,453k for the next phase of Dungeness Off Channel Reservoir Project (to be 100% grant funded through grants rec'd to date);
 - Broadband Infrastructure--\$5,500k (fully grant funded) the completion of the Broadband Expansion projects in the Joyce area;
 - Clallam Bay Sekiu--\$11,355k (includes \$10,030k DOE grant/loan funded collection system rebuild project and \$1,325k to replace three of five pump stations (Opportunity Fund transfer funded);
 - Carlsborg Sewer--\$85.7k for the 2026 payment to the City of Sequim for this system's proportionate share of infrastructure upgrades; and
 - ER&R--\$1,190k, consisting of vehicle and equipment replacements for Roads of \$932k and \$228k for General Fund, and \$30k for the remaining general site maintenance to replace failing gutters on all ER&R buildings.

In summary, the total recommended 2026 capital spend by the key strategic initiative/grouping is as follows:

- **Broadband Expansion**--\$5,500,000
- **Courthouse Space Assessment & Re-alignment**--\$50,000
- **Courthouse/Juvenile Services Building Security**--\$71,000
- **Deep Water Well/Water Mitigation**--\$3,452,782
- **EOC Relocation**--\$17,191,669
- **ER&R Funded Capital Outlays**--\$913,622
- **IT Infrastructure Initiatives**, including:
 - **Applications**--\$177,156
 - **Network**--\$11,000
- **Juvie Master Plan**--\$445,000
- **Mandatory/Recurring/Regular Replacement**--\$2,373,491
- **Other Non-Recurring Capital Outlay**--\$9,638,339
- **Previously Approved Carry Over Capital Outlays**--\$2,338,622

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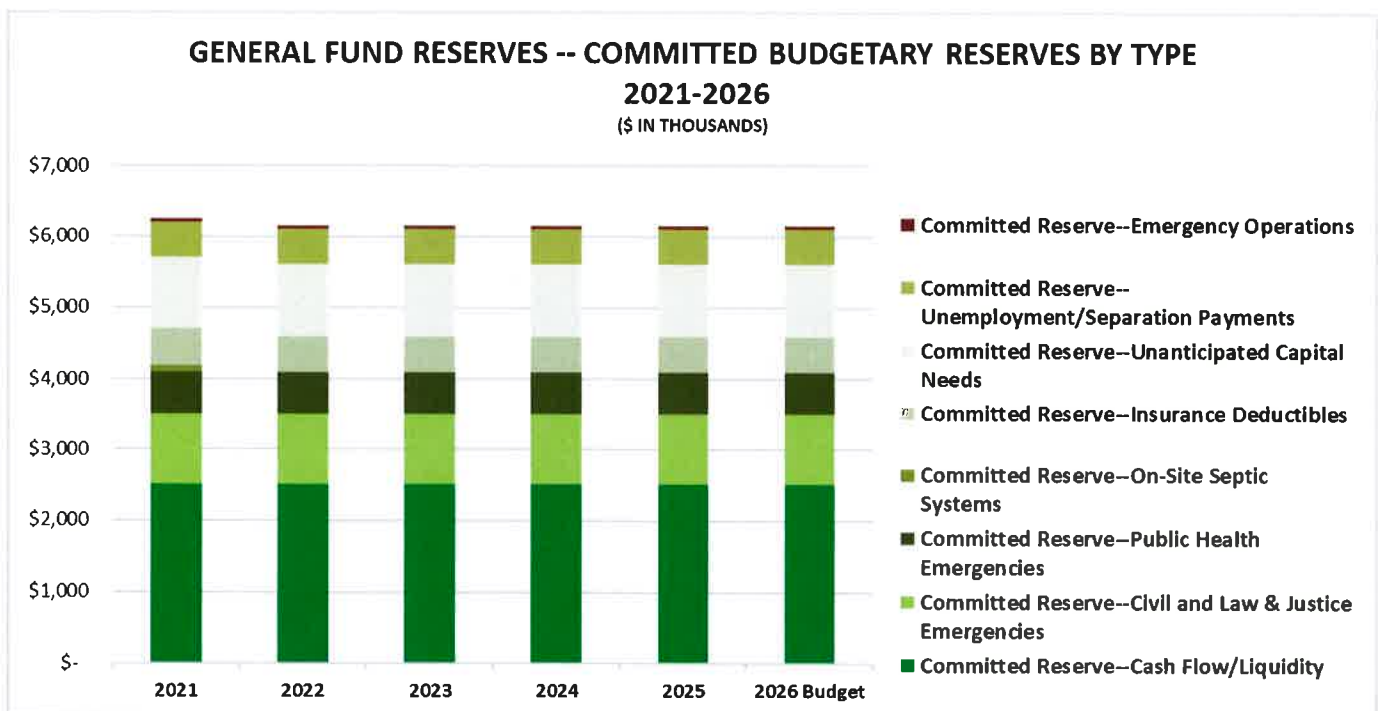
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- **Road Projects Supported Thru REET--\$700,000**
- **Sewer System Repair/Replacement Initiatives--\$11,440,856**
 - **TOTAL--\$54,303,537**
 - **Total Grant/Loan Funded--\$43,378,822**
 - **Total County (excluding General Fund) Funded--\$9,420,842**
 - **Total General Fund Funded--\$1,503,873**

GENERAL FUND RESERVES

Based on this revenue and expenditure included in this version of our budget, the budget reflects utilizing (\$1,394k) of General Fund reserves to fully fund the 2026 budget based on County policy which requires us to budget assuming all personnel positions are fully staffed for the entire year. However, based on expected underspend to our personnel and benefits budgets of \$0.816 million and \$0.633 million in estimated placeholder costs related to open labor contracts and other costs, **the General Fund's 2026 Proposed Final Budget as adjusted would produce a projected deficit for 2026 of (\$1,211k)**, as compared to 2025's projected operating surplus of \$4,026k, which would leave **an ending fund balance of \$14,778k for 2026, or a reserve of 25.2% of expenditures**. This represents an ending reserve balance that is \$2.278 million above the \$12.5 million minimum reserve target level established by the Commissioners earlier in the budget process.

In evaluating the impact of this budget on reserves and the adequacy of our General Fund reserves, it is important to understand what committed budgetary reserves have been historically established via budget adoption. Historically these committed budgetary reserves have totaled between \$6.15 million and \$6.25 million, and are broken down as follows:



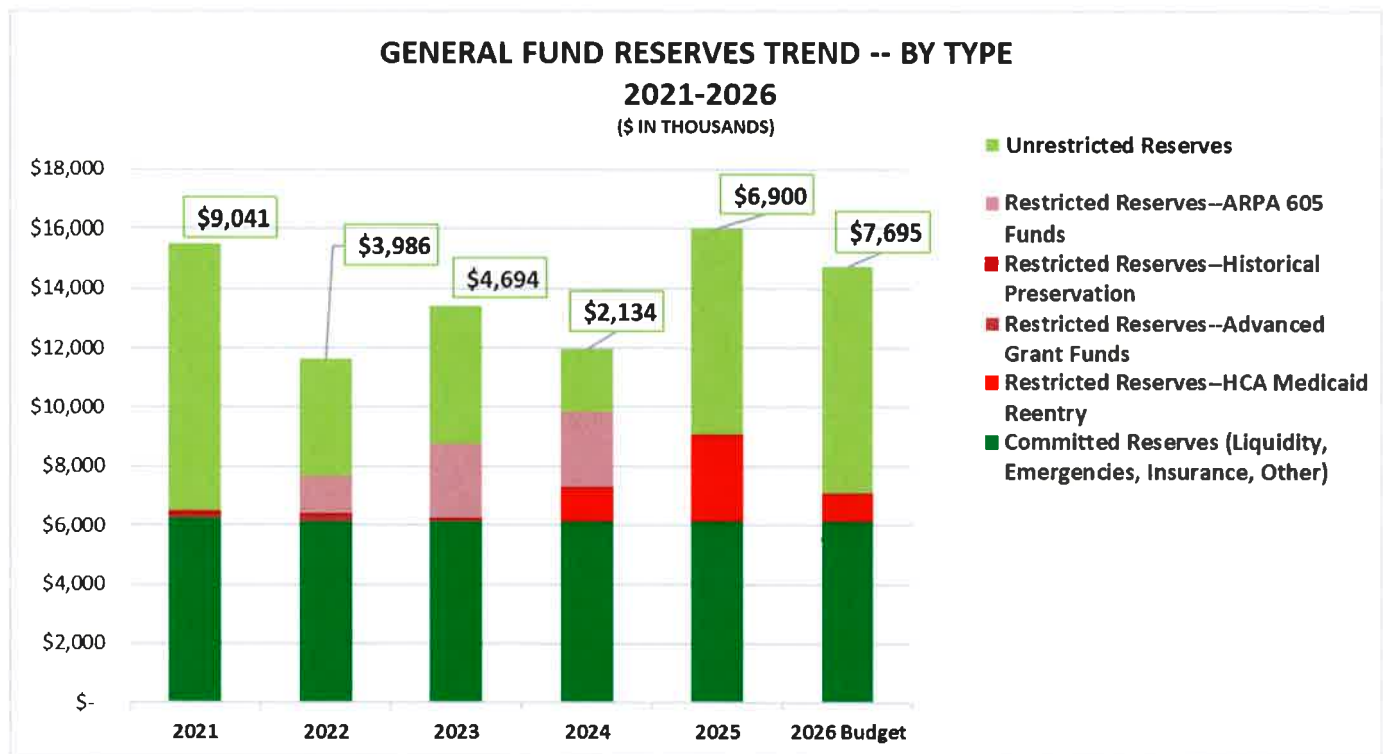
The County's General Fund also contains certain restricted reserves (meaning the monies are limited to varying degrees on what they can be spent on), including:

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- ARPA 605 funds (received \$2.5 million in 2022/2023 that could be used for any government services purpose other than lobbying—this funding was fully utilized in 2025 following adoption of a resolution);
- HCA Medicaid Reentry funding (Clinical Services—new for 2024-2026);
- Other advances received from grants (mostly COVID-related that were all fully spent by 2023); and
- Historical Preservation funds

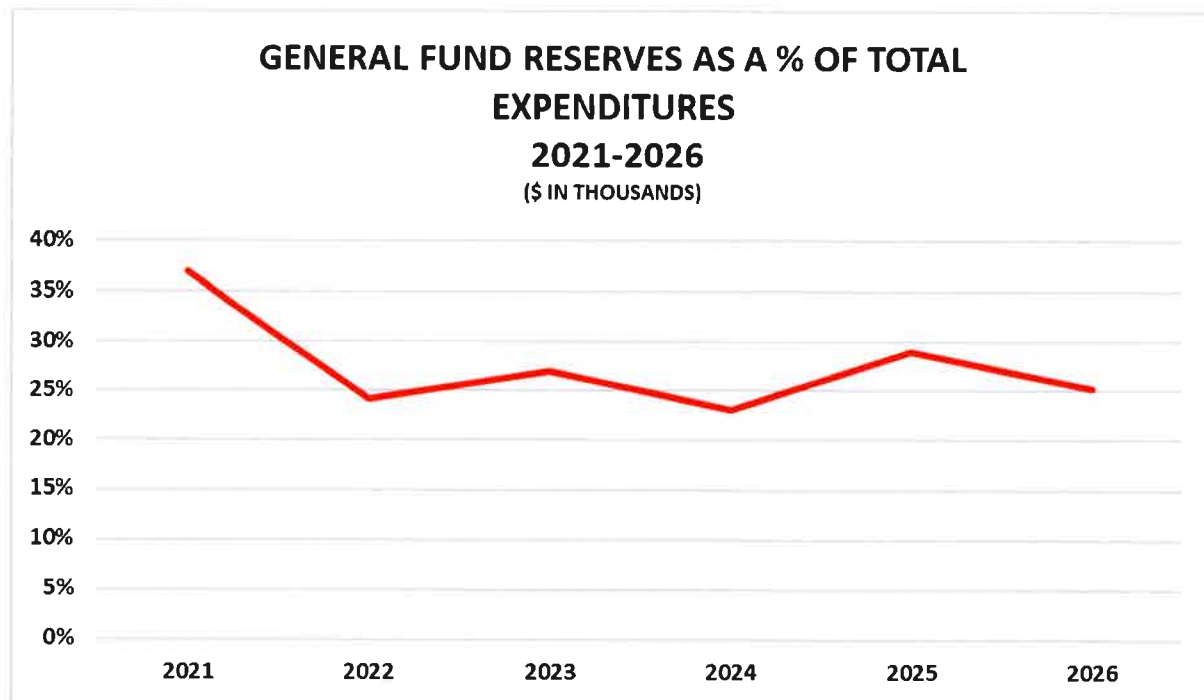
After layering in these restricted reserves along with our committed budgetary reserves outlined above, the historical breakdown of the General Fund's total reserves, including its level of unrestricted reserves, from 2021 to 2026 is as follows:



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The General Fund Reserves shown as a % of Total Expenditures from 2021 to 2026 is provided below:



These charts serve to highlight the changes seen both in unrestricted reserves and overall reserves that has occurred historically in the General Fund, and the impact the current 2026 Proposed Final Budget as currently forecasted would have. These historical changes in reserves have been driven by several factors including:

- Operating revenues growing at a rate less than operating expenditures;
- Influx of Large Grant Advances, including the \$2.5 million of ARPA 605 funds received in 2022 & 2023 (which were utilized in 2025), and the \$4.225 million related to the HCA Medicaid Reentry grants received in calendar years 2024 and 2025 which will be used to support capacity building and IT and facility infrastructure improvements to our adult and juvenile carceral facilities in 2025, 2026 and 2027;
- Transfers to various non-General Fund funds requiring subsidized support for their operations (including Clallam Bay Sekiu Sewer, Carlsborg Sewer, Solid Waste, Flood Control, Bullman Beach, Veteran's Relief, Health & Human Services Operations, Local Crime Victim Compensation fund, Law Library, and Treasurer-Land Assessment funds);
- Working capital and local match transfers made by the General Fund to support various reimbursement grant-funded projects (including Lower Dungeness Floodplain, Dungeness Off Channel Reservoir, Broadband, and the Joint Public Safety Facility); and
- Capital project outlays undertaken by Parks, Fair & Facilities and IT through their respective capital project funds.

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RECAP OF PROGRESS MADE TOWARD A BALANCED BUDGET FOR 2026

As previously covered, due to the (\$3.258) million shortfall existing between revenues and expenditures reflected in the 2026 Preliminary Budget (after including estimated payroll underspend and placeholder costs), **the County Administrator and Finance Department developed a list of expenditure and revenue changes based on discussions held with each department in September to identify potential revenue and expenditure changes to address this shortfall.** These proposed changes were reviewed in detail with each department, the impact of such changes was discussed, and were incorporated into the Proposed Final Budget presented.

In addition to those adjustments identified during the September meetings with the departments, the Administrator and Finance Department met and discussed other potential revenue and expenditure adjustments to further close the gap while enabling the addition of certain limited department operating expenditure and capital requests deemed critical to County operations or that had identified funding sources.

Finally, additional adjustments were made following the October meetings held between departments, Commissioners, County Administrator and Finance to incorporate some additional departmental requests and making other revenue and cost adjustments identified during those meetings. Below is a recap of those efforts:

Operating Deficit—Preliminary Budget (including Payroll Underspend of \$1,214,000 & Placeholder Costs of (\$1,638,000)) (\$3,258,000)

Revenue & Expenditures Changes Made Between Preliminary Budget And Administrator Recommended Budget:

Revenue Net Gains:

<u>One-Time</u> (Dungeness Reservoir & Carlsborg Water Mitigation Transfers In (+\$549k); Sale of Surplus Property (+\$200k)	\$ 749,000
<u>Recurring</u> (Sales Tax forecast adjustment (+\$112k); Auditor Election Services/Voter Fees (+\$60k); DCD Permit & Plan Check fees (+\$42k); net of other net decreases	\$ 47,000

TOTAL REVENUE GAINS IDENTIFIED \$ 796,000

Expenditure Net Reductions:

<u>One-Time</u> (ARPA funds re-obligated to Personnel Costs Placeholder (\$200k), Risk Management Allocation Reduction (\$193k)	\$ 393,000
<u>Recurring</u> (DCD Grant-Funded Professional Svcs (\$388k); Open Labor Contract Placeholder True Up net of Cost of Ratified CBA (\$235k); ER&R Vehicle Rental Reductions (\$153k); Redundant Software/Systems costs (\$106k); Clallam Conservation District/North Olympic Library support (\$61k); Sheriff Central Dispatch	

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(\$27k); Other Decreases	\$ 1,173,000
TOTAL EXPENDITURE CUTS IDENTIFIED	\$ 1,566,000
TOTAL REDUCTIONS IDENTIFIED PRIOR TO ADDITION OF DEPARTMENT & CAPITAL REQUESTS	\$ 2,362,000
<u>Department Requests</u>	
One-Time	(\$408,000)
Recurring	(\$507,000)
TOTAL DEPARTMENT REQUESTS ADDED	(\$915,000)
<u>Capital Requests/Capital Transfers Added</u>	<u>(\$120,000)</u>
Total Revenue/Expenditure Net Changes Made—Prelim vs Admin	<u>\$ 1,327,000</u>
Operating Deficit—Administrator Recommended Budget (including Payroll Underspend of \$1,236,000 and Placeholder Costs of (\$661,000))	<u>(\$ 1,931,000)</u>
<u>Revenue & Expenditures Changes Made Between Recommended Budget And Draft Final Budget:</u>	
Tax Revenue--Property Tax levy true-up for final 2025 calcs	\$ 16,000
Intergovernmental Revenue—DCD Environmental Quality grants	(111,000)
Intergovernmental Revenue—net other new grants added	7,000
Charges for Goods & Services—Criminal Justice Interlocals	1,981,000
Charges for Goods & Services—elimination of Road CREW	(274,000)
Charges for Goods & Services—Other	(40,000)
Other Revenue Adjs—Fines & Penalties, Misc, Transfers In	(8,000)
Payroll & Benefits reductions (1.5 net FTE reduction, BOCC Approved department request changes PA/DCD/CCSO, revised L&I, Coroner Position added)	362,000
Services & Supplies net increase (ER&R +\$80k, Juvie placeholder cost savings shifted to Payroll (\$107k), DCD Building GSD Consulting (\$18k), Clerk system migration, other	(256,000)
Capital net increases (PA Civil +\$50k, CCSO MDT cuts)	(9,000)
Transfers Out increase (HHS, Flood Control)	(145,000)
Payment to Risk Management/Workers Comp Funds decrease	58,000
Debt Service—Leases/SBITAs (increased for ERP license)	(127,000)
Estimated Payroll Underspend (reduced from 3% to 2%)	(416,000)
Total Revenue/Expenditure Net Changes Made—Admin vs Proposed Final	<u>\$ 1,038,000</u>
Operating Deficit—Draft Budget	(\$ 893,000)

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**Revenue & Expenditures Changes Made Between Draft Budget
And Proposed Final Budget:**

Tax Revenue--Property Tax levy true-up for final 2025 calcs	\$ 2,000
Intergovernmental Revenue—CDBG CIE Grant carryover	47,000
Payroll & Benefits reductions (0.5 net FTE reduction Sheriff Emergency Services, DCD—Environmental Quality Salmon Recovery Coordinator extra-help transition	9,000
Services & Supplies net decrease (Indirect cost allocation true-up (-\$145k), less CDBG grant-funded carryover of CIE costs (+\$47k), Sheriff Clinical Services (+\$27k HCA grant-funded professional svcs/ computer systems maintenance)	63,000
Capital increase (Clinical Services HCA-funded carryover from 2025)	(423,000)
Transfers Out net decrease (Prosecuting Attorney Victim Witness, Flood Control)	9,000
Payment to Risk Management/Workers Comp Funds increase	(12,000)
Debt Service—Leases/SBITAs (HCA grant-funded)	(9,000)
Estimated Payroll Underspend	(4,000)
 Total Revenue/Expenditure Net Changes Made—Draft vs Proposed Final	 (<u>\$318,000</u>)

Operating Deficit—Proposed Final Budget **(\$ 1,211,000)**

Projected 2026 Ending Reserves	\$ 14,778,000
% of Total Expenditures (including Payroll Underspend/Placeholders)	25.2%

Minimum 2026 Ending Reserves Target Set by BOCC	\$ 12,500,000
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Over/(Under) Minimum Reserves Target	\$ 2,278,000
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BUDGET OUTSTANDING ISSUES

Please also note that there are several outstanding issues that have yet to be fully factored into the General Fund budget that could impact the revenue and expenditure assumptions in the budget, including:

- Open Labor Contracts--as noted previously, while a high-level placeholder is reflected in the Proposed Final Budget presented, the formal integration of additional Payroll/Benefit costs resulting from conclusion of labor negotiations with our remaining interest arbitration and limited commission bargaining units will not be completed prior to the adoption of this budget. Once the impact of these negotiations is known, the necessary budget modifications will be made in 2026.
- Other Key Contract Negotiations—the County is in various stages of negotiations for several key contract renewals, including the criminal justice interlocal agreements with the cities of Port Angeles and Sequim, the Clallam Public Defender indigent defense services contract, and others. While placeholder assumptions have been incorporated into the Proposed Final

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budget for these contracts based on the County's cost of services analysis, the final outcome of these negotiations is currently unknown.

- Approval of Staff Recommendation of Repurposing ARPA Funds—County staff will be bringing forward for Commissioner approval an agreement termination notice and resolution authorizing the de-obligation of \$200,000 in previously committed ARPA funds under a contract to be terminated and re-designating use of such funds to offset certain General Fund department personnel costs in 2026. This is expected to occur prior to the end of 2025. The impact of this change is reflected in the County's ARPA fund and has been incorporated into the Sheriff-Operations budget where these ARPA funds will be applied toward personnel costs.

Budgetary impact: (Is there a monetary impact? If so, are funds for this already allocated or is a budget change necessary? If this is a contract and a budget change is necessary, the budget change form must be submitted with the item at work session and for the regular agenda) **If a budget action is required, has it been submitted and a copy attached?**

This is the Proposed Final budget for 2026. No budgetary impact until the final adopted budget is approved in December 2025.

Recommended action: (Does the Board need to act? If so, what is the department's recommendation?)

County Official signature & print name:  Mark Lane

Name of Employee/Stakeholder attending meeting: _____ Todd Mielke, Mark Lane, Rebecca Turner, Eleanor Hill

Relevant Departments: _____ Finance, BOCC

Date submitted:

November 25, 2025

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